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FORT GARRY TRUST
COMPANY

ANNUAL REPORT 1972







DIRECTORS

Evan J. Bullock

Dodd Q. Chu, M.D., C.M., C.R.C.P.(c)

Kenneth L. Cutts

Gordon H. Hollands

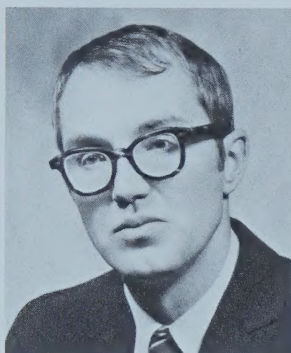
J. Kent MacKinlay, B.A., LL.B., F.C.B.A.

Charles R. Scott

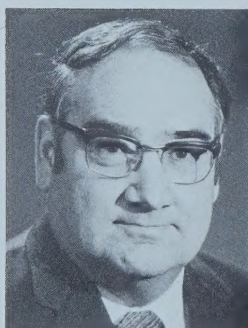
Cecil S. Walker



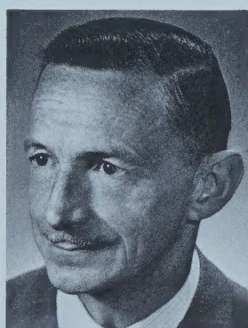
Kenneth L. Cutts
*President & Director
Winnipeg*



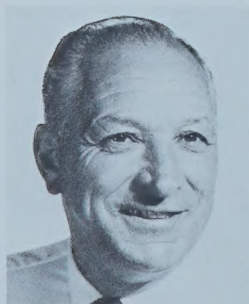
J. Kent MacKinlay
*Executive Vice President & Director
Winnipeg*



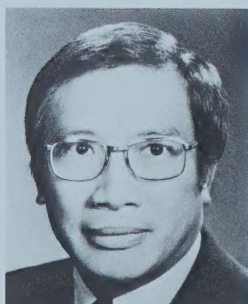
Charles R. Scott
*Vice President
Timmins*



Cecil S. Walker
*Vice President & Director
Vancouver*



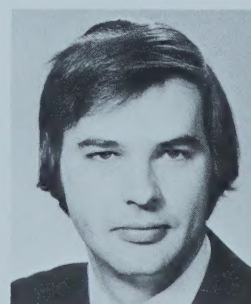
Evan J. Bullock
*Director
Calgary*



Dodd Q. Chu
*Director
Vancouver*



Gordon H. Hollands
*Secretary, Assistant
Vice President & Director
Winnipeg*



Robert Hamaberg
*Controller
Winnipeg*

OFFICERS

Kenneth L. Cutts
President

J. Kent MacKinlay, B.A., LL.B., F.C.B.A.
Executive Vice President

Charles R. Scott
Vice President

Cecil S. Walker
Vice President

Gordon H. Hollands
Assistant Vice President & Secretary

Robert C. Hamaberg
Controller



HIGHLIGHTS

	1972	1971
Total Assets	\$24,808,195.00	\$19,628,705.00 ✓
Total Deposits	21,784,736.00	17,015,929.00 ✓
Net Income before Income Taxes & Extraordinary Items	341,508.00	218,258.00
Net Income for the year	225,119.00	218,258.00
Earnings per Share Before Extraordinary Items99	.55
Earnings Per Share After Extraordinary Items	1.15	1.20

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PRESIDENT'S REPORT TO SHAREHOLDERS

I am pleased to report to you that your company has enjoyed, along with the trust industry in general, another successful year.

The most significant measure of performance during the year is pre-tax earnings, which recorded an increase of 62.94%, from \$209,588 in 1971 to \$341,508 in 1972.

Net income before extraordinary items was \$193,657 (99¢ per share) in 1972, up from \$101,055 (55¢ per share) in 1971. During the year, the company became responsible for payment of income taxes at full rates. Earnings after income taxes and after extraordinary items were \$225,119 (\$1.15 per share) in 1972, as compared to \$218,258 (\$1.20 per share) in 1971.

Present management is now completing a five-year program. This program has resulted in the recovery of a previous period of losses totaling \$276,688 plus the accumulation of \$306,899 in retained earnings and reserves. In total \$583,587 in profits have been recorded.

OPERATIONS

The Company's spreads between interest earned on mortgages and interest paid out for deposits is recorded at 2.40%. Traditionally trust companies operate on a spread of approximately 2%, and we therefore consider our spreads satisfactory. However, it is of concern to us that the trend of our spreads is now downward. Thus we must aggressively pursue lower-cost savings accounts in order to maintain satisfactory spreads. This past year our total deposits increased by 28%, reaching a year-end total approximating \$22 million. Much of this growth, however, occurred in the area of Guaranteed Investment Certificates (our most expensive source of deposits), and as a result our average cost of deposits increased slightly during the year.

This deposit growth was channeled—after

providing for the company's liquidity needs—almost entirely into mortgages. Last year our mortgage portfolio increased by \$5.5 million to a total approximating \$20 million, representing an increase of 38.5% in good mortgage paper, with the majority of the new mortgages insured under the National Housing Act.

During the year the company acquired its own electronic accounting equipment. All guaranteed investment certificate, mortgage, general ledger and payroll accounting is handled by this equipment.

ASSOCIATED VENTURES

Bestlands Development Ltd., a land development and construction company in which your Company has a 50% interest, continued to show satisfactory progress. It now owns, in whole and in part, 116 rental units in and around Winnipeg and its 23 storey high-rise apartment building in downtown Winnipeg known as the "House of York" will be completed this summer.

Bestlands also has several other attractive investment opportunities before it. However, your Company's ability to participate in these projects by way of mortgage loans is curtailed by present Manitoba Law, and we may not be able to take advantage of these opportunities.

During the year the company profitably disposed of its interest in St. Norbert Nursing Homes Ltd.

LOOKING FORWARD

The goals which your Company's present management established when it acquired control of the Company in mid 1968, nearly 5 years ago, have by and large been achieved. The Company has done well during this period—deposits have nearly tripled, mortgages have increased five fold, and losses at acquisition have been offset by profits as recorded above. These goals have been

accomplished without increasing the branch network of the four offices, and with a basically stable personnel complement.

However, we are much more interested in the future than in the past. The basic approach of corporate planning is rational. Analysis, projection and conclusion are founded on observed data, statistical measurement, and the best available methods of non-numerical evaluation and deduction. The basic task of corporate planning is to visualize an enterprise as it could be 5 to 10 years hence. Your Company has entered into a long range planning program and projections show a dramatically different company than the Fort Garry Trust Company of today.

We expect our deposits to triple again, to reach \$60 million by the end of 1977. Growth in earnings per share and return on shareholder's investment should record substantial gains.

To attain this growth we will expand our present branch network. The first step in this direction is the opening of a fifth branch located in downtown Brandon. This branch will be open March 31, 1973. As a Manitoba Company, we have confidence in the economic future of Brandon and Manitoba and expect this branch to turn in a good performance. It is the Company's goal in future years to develop a national presence and as a start we are opening a mortgage office in Vancouver, B.C. on March 12, 1973. We have also applied to the regulatory authorities for what is, in effect, a national charter (termed "transjurisdictional registration")—thus allowing us with some provisos to conduct full trust services anywhere in Canada.

NEW BUSINESS

We also wish to develop more stable sources of fee revenue, so as to better offset the squeeze in our interest rate margins caused by fluctuations in interest rates. With this in mind, we have

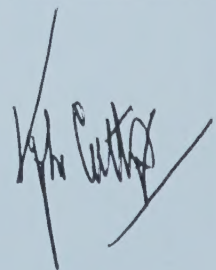
created a real estate department, built up new trust services and entered into the property management field in recent years. Certainly one of the Company's best avenues to generate substantial new revenues over the near term lies in the mortgage field, where we already have good expertise. We have, therefore, established a mortgage banking policy, wherein the Company sells off good quality mortgages, surplus to our own investment requirements, to outside investors. This operation produces both trading revenues and servicing fees. With the establishment of our Vancouver mortgage office and our recently acquired license to conduct a mortgage business in the Province of Quebec, we are now active in the mortgage field in all provinces in Canada except the Maritimes and we can look to good inventories or mortgages to assist us in turning over our portfolio.

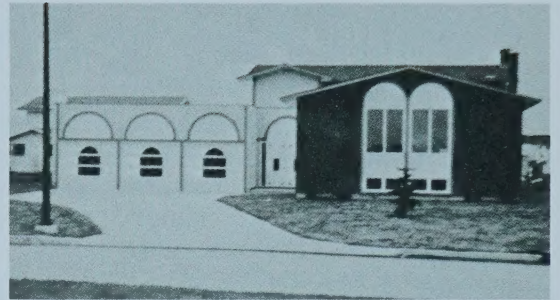
OFFICERS, DIRECTORS & PERSONNEL

We recognize that additional management depth will be required to accomplish our goals. With this in mind, this past year we were pleased to welcome as new directors of the Company, Dr. Dodd Chu of Vancouver, B.C. and Mr. Charles R. Scott of Timmins, Ontario. It will be the intention of your Company to further expand our Board of Directors and this will be a matter for discussion at the forthcoming annual meeting of shareholders.

In our operating management, we have also engaged new staff whom we are confident will contribute materially to the success of the Company in future years.

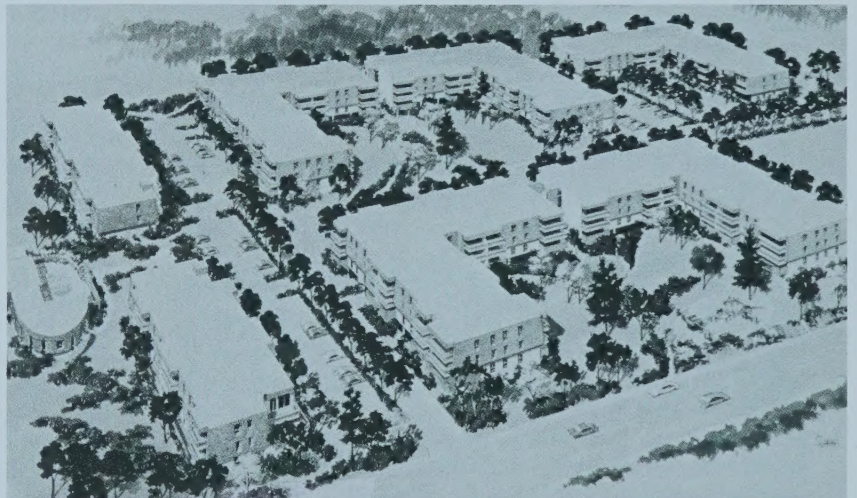
I would like at this time to thank all members of the Fort Garry Trust team. We are happy with our personnel, and they are one of the principal reasons why we face the future with confidence.





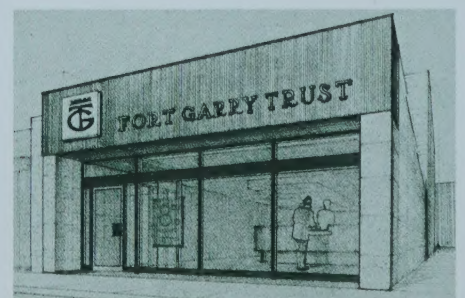
INVESTMENTS MORTGAGE

Pictured here are some examples of properties for which the Company provides mortgage financing; above right: a residential home in Winnipeg — above left: a high-rise apartment building in Winnipeg, and at the right a condominium complex in Vancouver.



BRANCH OFFICES

Customers are served quickly and efficiently in the attractive main office branch pictured at left and above. At right is an artist's conception of the Brandon office, opening in March of 1973.



Price Waterhouse & Co.

chartered accountants

2200 One Lombard Place Winnipeg Man. R3B 0X7 (204) 943-7321 Telex 07-587728

February 28, 1973

AUDITORS' REPORT

To the Shareholders of
Fort Garry Trust Company:

We have examined the balance sheet of Fort Garry Trust Company as at December 31, 1972 and the statements of income and expense, retained earnings and source and use of cash funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1972, the results of its operations and the source and use of its cash funds for the year then ended, in accordance with generally accepted accounting principles which, except for the change to the deferral method of income tax allocation as referred to in note 2 to the financial statements, have been applied on a basis consistent with that of the preceding year.

A stylized, handwritten signature in dark ink that reads "Price Waterhouse & Co." in a cursive script.

Chartered Accountants

FORT GARRY TRUST

COMPANY


BALANCE SHEET

ASSETS

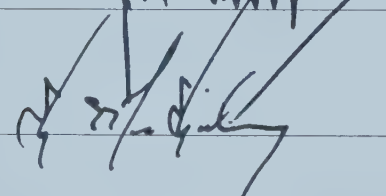
December 31

	1972	1971
Cash and bank deposit receipts	\$ 909,308	\$ 1,291,995
Bonds—at amortized cost, market value \$2,506,480 (1971—\$2,539,800)	3,062,128	3,000,994
Stocks—at cost less a provision for decline in value, market value \$119,800 (1971—\$166,800)	264,885	356,634
Mortgages—at unpaid principal balances less net amortized premiums and discounts	19,713,188	14,231,324
Loans—partially secured	248,089	241,893
Accrued interest receivable	303,719	201,767
Real estate and other fixed assets, at cost less accumulated depreciation of \$122,262 (1971—\$105,297)	210,403	239,042
Other assets	96,475	65,056

APPROVED BY THE BOARD:



Director



Director

\$24,808,195

\$19,628,705

X



LIABILITIES

	December 31	
	1972	1971
Guaranteed liabilities:		
Trust deposits	\$ 8,800,383	\$ 7,791,573
Guaranteed investment certificates	12,747,045	9,017,686
Accrued interest	237,308	206,670
	<u>21,784,736</u>	<u>17,015,929</u>
Bank loan, secured by bonds	500,000	500,000
Accounts payable and accrued	123,369	72,254
Income taxes payable	135,691	—
	<u>22,543,796</u>	<u>17,588,183</u>

SHAREHOLDERS' EQUITY

Capital stock (note 1)		
Authorized—300,000 common shares each of a par value of \$10		
Issued and fully paid—195,750 shares	1,957,500	1,957,500
Mortgage and investment reserves	80,000	30,000
Retained earnings	226,899	53,022
	<u>2,264,399</u>	<u>2,040,522</u>
	<u>\$24,808,195</u>	<u>\$19,628,705</u>

FORT GARRY TRUST

COMPANY

STATEMENT OF INCOME AND EXPENSE

	Year ended December 31	
	1972	1971
INCOME:		
Income from securities	\$ 195,308	\$ 235,126
Income from mortgages	1,635,533	1,402,906
Other operating income	174,684	74,046
Gain on sale of securities	19,780	8,520
	<u>2,025,305</u>	<u>1,720,598</u>
EXPENSE:		
Interest	1,143,748	1,070,818
Salaries and employee benefits	270,115	223,143
General and administrative, including provision for doubtful accounts and investment declines	196,178	145,215
Depreciation and amortization	18,122	18,674
Premises, net of rental payments received from sub-leases	55,634	53,160
	<u>1,683,797</u>	<u>1,511,010</u>
Net income before income taxes and extraordinary items	341,508	209,588
INCOME TAXES:		
Current	134,449	—
Deferred (note 2)	13,402	108,533
	<u>147,851</u>	<u>108,533</u>
Net income before extraordinary items	193,657	101,055
EXTRAORDINARY ITEMS:		
Income tax reductions (note 2)	31,462	108,533
Change in depreciation	—	8,670
Net income for the year	<u>\$ 225,119</u>	<u>\$ 218,258</u>
INCOME PER SHARE:		
Net income before extraordinary items	\$0.99	\$0.55
Net income for the year	<u>\$1.15</u>	<u>\$1.20</u>

STATEMENT OF RESERVES & RETAINED EARNINGS

	Year ended December 31	
	1972	1971
Statement of Mortgage & Investment Reserves		
Balance, January 1st	\$ 30,000	\$ —
Transferred from Retained Earnings	50,000	30,000
Balance, December 31st	<u>\$ 80,000</u>	<u>\$ 30,000</u>

Statement of Retained Earnings

	Year ended December 31	
	1972	1971
Balance, January 1	\$ 53,022	\$(135,236)
Net income for the year	225,119	218,258
Refundable dividend tax paid	(1,242)	—
Transfer to mortgage and investment reserve	<u>(50,000)</u>	<u>(30,000)</u>
Balance, December 31	<u>\$226,899</u>	<u>\$ 53,022</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 1972

1. Capital stock:

- (a) Options to purchase capital stock –
Granted prior to 1972 –
For 1,000 shares at \$10 per share, to January 1, 1974, to a director and officer
For 5,000 shares at \$11 per share, to December 31, 1975
Additional options granted during 1972 –
For 21,000 shares at \$10 per share up to various dates in 1975 and 1977, to directors and officers.
- (b) Warrants which expire on December 31, 1975 give the holders the right to purchase 10,000 shares at prices which increase from \$13 to \$15 during the term.

2. Extraordinary item:

Income tax reductions include –

- (a) The reduction in the income taxes applicable to the year resulting from the application of losses sustained in prior years (1971 figures have been restated to show both the applicable taxes and the offsetting reduction).
- (b) The effect of recording as a deferred tax debit \$18,060 (included in "other assets" in the balance sheet) representing tax reductions applicable to some expenses which can be claimed for tax purposes in future years.

3. Information required by The Companies Act (Manitoba):

- (a) Remuneration of directors and officers: 1972 – \$73,651; 1971 – \$69,905.
- (b) There are balances of \$130,000 owing at December 31, 1972 on two mortgage loans made to corporations now controlled by directors of the Company.

4. Estates, trusts and agency loans under administration:

1972 – \$2,888,200; 1971 – \$2,347,500.

FORT GARRY TRUST

COMPANY

STATEMENT OF SOURCE AND USE OF CASH FUNDS

	Year ended December 31	
	1972	1971
Cash funds were provided by:		
Operations—		
Net income	\$ 225,119	\$ 218,258
Income taxes, not yet due	134,449	—
Other non-cash items, net	62	10,061
	<u>359,630</u>	<u>228,319</u>
Additional customers' deposits	4,768,807	1,244,668
Sales of securities	30,615	804,651
Capital stock issued	—	345,000
Other	(59,875)	151,765
	<u>5,099,177</u>	<u>2,774,403</u>
Cash funds were used for:		
Investment in mortgages, net	5,481,864	1,459,504
Reduction of bank loan	—	201,194
	<u>5,481,864</u>	<u>1,660,698</u>
Increase (decrease) in cash	(332,687)	1,113,705
Cash at beginning of year	<u>1,291,995</u>	<u>178,290</u>
Cash at end of year	<u>\$ 909,308</u>	<u>\$1,291,995</u>

FORT GARRY TRUST

COMPANY

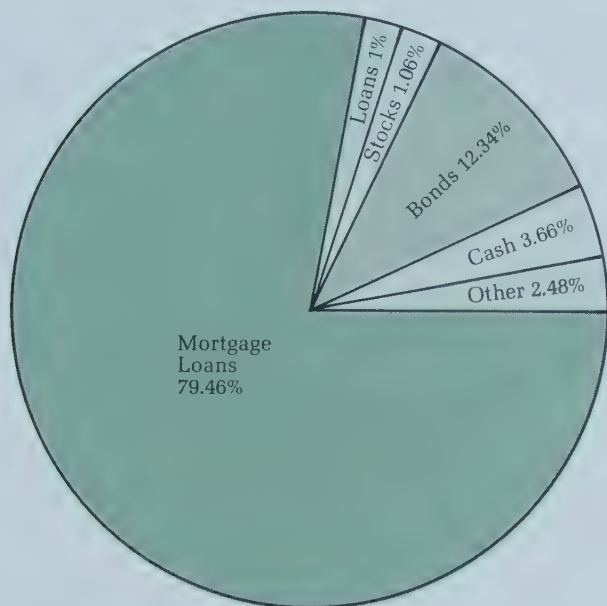
FIVE YEAR SUMMARY OF OPERATIONS ('000s)

	1972	1971	1970	1969	1968
Total Assets	24,808	19,629	18,277	16,657	11,111
Mortgage Investments	19,713	14,231	12,772	11,060	5,938
Trust Deposits	8,800	7,792	6,153	5,475	4,088
Term Deposits	12,747	9,018	9,376	8,946	5,625
Total Deposits	21,547	16,810	15,529	14,421	9,713
Income	2,025	1,721	1,611	1,137	755
Interest Expenses	1,144	1,071	1,151	778	434
Other Expenses	540	432	406	327	266
Net Income Before Taxes	341	218	54	32	55
*Net Income for the Year	225	218	54	32	55
Earnings Per Average					
Common Share	1.15	1.20	.36	.21	.36
Estates, Trusts and Agency Loans					
under administration	2,888	2,348	1,192	267	33

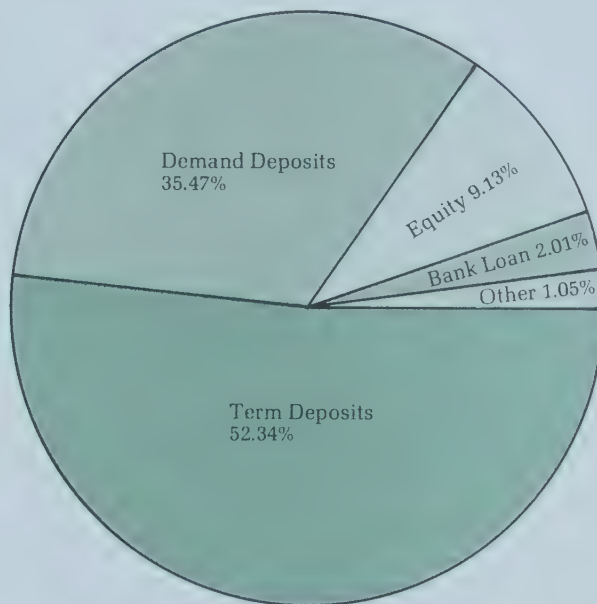
*Refer to note 2 of the Financial Statements.

FINANCIAL ANALYSIS

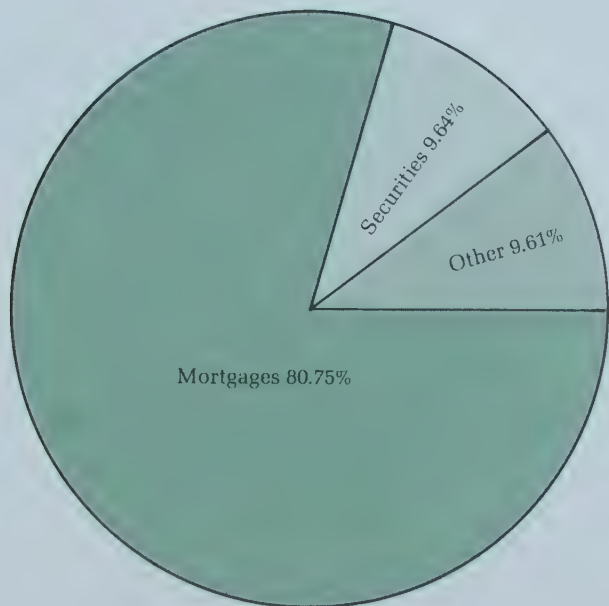
Assets



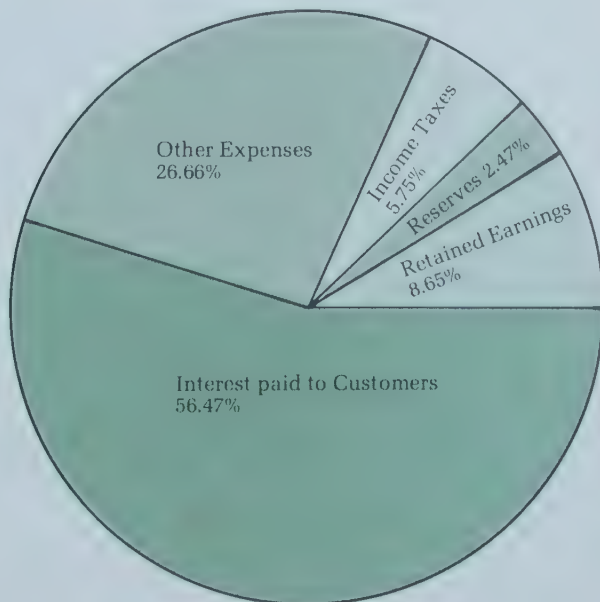
Liabilities & Equity



Source of Revenue



Allocation of Revenue





FORT GARRY TRUST COMPANY

HEAD OFFICE AND MAIN BRANCH

283 PORTAGE AVENUE, WINNIPEG, MANITOBA



G. H. Hollands
Mortgage Manager



J. A. MacDonald
Marketing Manager



J. Palano
Savings Manager



R. J. Wilson
Assistant Mortgage
Manager

BRANCH OFFICES

ST. JAMES
BRANCH
1861 Portage and
Collegiate



Mr. D. Brown
Manager

NORTH WINNIPEG
BRANCH
600 Selkirk and
McGregor

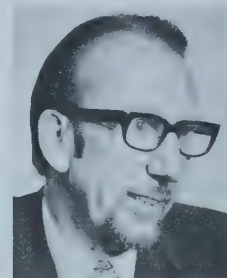


Mr. C. Woychyshyn
Manager

FORT GARRY BRANCH REAL ESTATE DEPT.
1181 Pembina Highway



Mrs. A. S. Umlah
Manager



R. V. Borlase
Real Estate Dept. Mgr.

SERVICES: SAVINGS ACCOUNTS • CHEQUING ACCOUNTS • GUARANTEED INVESTMENT CERTIFICATES • MORTGAGE
LOANS • ESTATE ADMINISTRATION • REGISTERED RETIREMENT SAVINGS PLANS • DEFERRED PROFIT SHARING PLANS
REAL ESTATE • PROPERTY MANAGEMENT • STOCK TRANSFERS • PERSONAL LOANS (agent) • SAVE-BY-MAIL • MONEY
ORDERS • TRAVELLERS CHEQUES • DRAFTS • FOREIGN REMITTANCES



FORT GARRY TRUST COMPANY

HEAD OFFICE AND MAIN BRANCH
283 PORTAGE AVENUE, WINNIPEG, MANITOBA



G. H. Holland
Mortgage Manager



J. B. Macdonald
Marketing Manager



J. Palano
Savings Manager



R. J. Wilson
Assistant Mortgage
Manager

BRANCH OFFICES

ST. JAMES
BRANCH
1861 Portage and
Lodgepole



Mr. H. Brown
Manager

NORTH WINNIPEG
BRANCH
600 Selkirk and
McGregor



Mr. C. Woychysyn
Manager

FORT GARRY BRANCH REAL ESTATE DEPT.
1181 Pembina Highway



Mrs. A. S. Umlah
Manager



R. V. Borlase
Real Estate Dept. Mgr.

SERVICES: SAVINGS ACCOUNTS • CHEQUING ACCOUNTS • GUARANTEED INVESTMENT CERTIFICATES • MORTGAGE
LOANS • ESTATE ADMINISTRATION • INS. OFFERS • RETIREMENT SAVINGS PLANS • DEFERRED PROFIT SHARING PLANS
REAL ESTATE • PROPERTY MANAGEMENT • STOCK TRANSFERS • PERSONAL LOANS (agent) • SAVE-BY-MAIL • MONEY
ORDERS • TRAVELLERS CHEQUES • GIFTS • FOREIGN REMITTANCES

